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1. A Study of International Trade of India: A General Analysis

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Abstract:

The international trade is a system of trade in which products are sales and purchased among countries. In the 21st century foreign trade has a vital position in the economic development of any country. The global trade is the life blood for the economy of the world; it allows the various countries to increase their market share and helped them to purchase goods and services that are not produced and available in their domestic market. The present study examined the growth rate of India export, import and trade balance. For the study, the secondary data compiled from the year 1986-87 to 2022-23. The results show that imports have a detrimental effect on the nation's economic development. The growth in total trade show positive impact on Indian economy.

Keywords:

International trade, imports, exports, total trade etc.

1.1 Introduction:

In the present era the area of business is not limited due to the need of goods and services demanded by people of any nations. A country itself not fulfills all the needs of people within country. So, the area of business is extended across the border of any country.

The international trade is a system of trade in which goods and services are exchanged between countries. International trade not change fundamentally regarding the trade is in the country and out of the country, and it can be said that domestic trade is not different from the international trade. The global deal is more expensive in comparison to the domestic deal due to the various factors of production. In domestic trade the security, goods and services are purchase and sell within the country. The international trade influences the GDP rate of a nation. In the 21st century foreign trade has a vital position in the economic development of any country. The international trade is also known as global trade. The global trade is the life blood for the economy of the world; it allows the various countries to increase their market share and helped them to purchase goods and services that are not produced and available in their domestic market. In international market every type of the products is available. For example, clothes, food, water, currencies, wine, jewelry, diamond, oil, spare parts etc. Like goods the services are also traded i.e. transportation, consulting, insurance, tourism, banking etc. The level of foreign trade significantly affects purchasing power of parity and positively affects GDP per capita (Demirbilek and Civlek, 2022).

The global trade plays a very important role to reach a high level of economic development. International trade is also a variable to measure the economic growth (Purnama and Yao, 2019).

1.1.1 Characteristics of International Trade:

(a) Various Buyer and Sellers**:** In local trade the buyer and seller belong to the same country. But in global trade both belong to different countries.
(b) Dissimilar Currencies: In global trade the payment of goods and services made in foreign currency. The currency systems and monetary policies vary in diverse countries. In the international trade there is no uniform currency system like internal trade within country.
(c) Cost: The global trade is due to difference in cost of goods in different countries. Absolute cost difference and comparative cost difference are the main causes of the international trade. If business spread out of country and firm produce more products to sells outside the country then produced at large scale and took the benefit of economics of scale on large scale of production.
(d) Limitations: Different countries assigned a number of limitations on import and export. The country export goods face various types of restrictions imposed by the purchasing country. The exporter follows the rules, laws and regulations imposed by the importing country.
(e) Product Discrimination: A country imports any goods from foreign country may be different from their country goods. For example, in international trade varieties of goods like cloths, watches, jewelry etc. is available.
(f) Involvement of Risk Factor: The rate of risk is high in global trade than internal trade or domestic trade due to the risk involve in long distance and oceans passing.
(g) Requirement of Middlemen: The rules, laws, procedure and regulation in international trade are more complicated and not easy to understand. So, the services of middlemen and consultation are required for the smooth running of business at international level.

1.1.2 Categorization of International Trade:

The international trade is classified in the different category. The import and export are the backbone of global trade and support the nation in reference to economic development. Developing countries take the benefit of opened economies and opportunities for economic growth through international trade with the world (Binos, 2023).

Figure 1.1: Categorization of International Trade

(a) Import Trade: It means purchase of products from foreign country. Country import goods due to non-availability of goods which are not produced in the country in sufficient quantity to meet their needs. For example, if India purchase capital goods from foreign country like machinery, finished goods etc. are called import trade.
(b) Export Trade: It refers to sale of goods and services to foreign country. If a country produces large quantity of goods, then sells the excess quantity outside the country. Before the beginning of planning in India, main exports were primary goods like tea, hides, skins, jute, mica etc. The amount of trade is growing daily. (Suriaganth and Abdullah, 2021).
(c) Entrepot Trade: It refers to purchase/import goods from one country and further export to another country. If India purchase goods from their neighbor country and again sold that product or goods to the third country is the example of entrepot trade.

1.1.3 Middlemen in International Trade:

The process of purchase and sells in international trade is tedious and complex due to laws, rules and regulations. The businessmen depend on long term chain of middlemen to complete the transactions of international trade. The involvement of middlemen increases the cost of goods for buyer. So, the imported goods are expensive in the market. The middlemen play a very vital role and become a very important person in international trade. The service of middlemen is required for smooth running of trade activities.

(a) Importing Country Middlemen: Clearing agent has an important person in global trade. A person charge commission from the importer for his services render by him to complete various types of formalities for reaching the goods on the port. The clearing agents ensure to dispatches the goods to the importer destination by rail, road and any way of transport. In global trade the import agent is also have a specialized knowledge of goods in which he deals. The import agent worked on the behalf of the wholesaler and complete all the formalities related to the imported goods. The wholesaler pays fixed commission for services provided by the import agent and the wholesaler bear the risk involve in the business.
(b) Exporting Country Middlemen: The export agent also plays a very important role on the behalf of international buyer. He fulfills the various activities related to goods as the direction provided by the international buyers. The exporter pays export agent a pre decided commission as per the agreement for services provided by him. The second type of agent is forwarding agents that are appointed by the exporter to work on his behalf. He charges commission as per the agreement to perform various types of formalities related to the export. The shipping company also worked like an agent to the exporter and dispatches the goods to the concerned importer and collected from the exporter.

1.2 Types of International Trade Transactions:

The foreign trade is the oldest as per historically based and very significant element of the external fiscal affairs with the world. Global trade changes the structure of national production in respect of national resources. The increasing economic level of the country is related with the foreign trade importance (Jenicek and Krepl, 2009).

(i) Direct Business: In this transaction the seller and buyer know each other. The deals are done on fixed price and there is no need to pay any commission to importing and exporting agents or agency. The importer purchases the goods from the exporting country manufacturer. The burden of commission exempted in this type of transactions.

(ii) Consignment Business: In this type of transaction the manufacturers export the goods to the importer country agents on his risk. After it the importer sells the goods on pre decided price by the exporter. The consigner has no right to change the price of goods that are supplied the exporter country manufacturers.

This can be change with the permission of the seller. For this process the consigner allows a pre decided commission on the sale of goods. In certain nations it a normal practice for the vendor to enter in to consignment agreement to sale their goods (Nathan, et. al. 2016). The consigner sends the record of goods sold continuously to the exporter and send the money collected though the sale of foods after deducting the commission due to his work is based on the behalf of sender of goods.

(iii) Indent Firms: In this transaction some firms do the business of importing and exporting agents at the port towns. The agents take the risk on behalf international traders and send them. The goods are purchased on the lowest prevailing price. The goods purchased in foreign countries and imported in the country on behalf of traders. For this process the indent firms' charges commission.

(iv) Merchant Shippers: In this system the business purchase goods at lower rate on their own account and sell them at possible highest rate to earn maximum profits in a foreign country.

1.3 Importance/Benefits of International Trade:

In present time the economic life of any country is very diversified and complex. No country can be live without the relation with the world and on self-resources. The world has different countries with different culture, customs, social, economic conditions. The international trade relations help those countries people to raise standard of living of people and enjoy the goods that are not produced in their countries. The international trade offers following benefits.

i. Unbalance Distribution of Natural Resources: The natural resources are not allocated the same amount among all the countries. The diverse countries have different quantity of natural wealth due to minerals, climate and environment. Some country has surplus number of resources and on the other hand some country have no natural resources. So, these country sales and purchase the raw material and finished goods from those countries that have surplus natural resources.
ii. Specialization: Some countries of the world are in the condition of production on large scale due to geographically condition and able to produce the goods at cheaper level. But some goods are not produced economically due to unfavorable conditions of the nations like technical know-how, climate, labor, raw material etc.

iii. Variation in economic growth rate: In the world economy some countries are developed, developing and under developed. The developing and underdeveloped countries have to depend upon the developed countries for the financial assistance that encourages for trade at international level. They enable the underdeveloped countries to export their products and economic development.
iv. Production at low cost: The benefits of comparative cost can be ascertained in international trade. Different countries have favorable conditions in respect of climate, natural resources, labor rate, technology and specialization.
v. Larger Market: Every country wants to increase the production and take the advantages of economics of scale. The international trade provides them the opportunity to sale their production at wider market and gain higher from the world economy.
vi. Growth in employment: Due to the increase in international trade various sectors also developed like banking, agriculture, transport, service etc. The development of these sectors also creates the chances of employment and raises the standard of living of people of those countries.
vii. Increase completion: The international trade increases the market share and completion among the businessmen of different countries. They provide the better-quality products at low price. The new entrepreneurs have the opportunities to enter in industry that end the monopolistic completion in the market.

1.4 Review of Literature:

Tarannum et. al. (2019), attempted to explore the negative or positive relationship between pre and post trade period. The analysis of the study found an insignificant growth impact of trade. The study found significant and positive effect on growth and population has insignificant and negative effect on growth in post reform period.

Karmakar and Lepcha (2022) investigated the new policy effect on total trade balance, imports and export from the time period 1990-91 to 2018-19. The study's findings demonstrated that both before and after the new economic policy, imports and overall trade increased. The study found the new economic policy effect on total trade, exports and imports were positive and increased significant. The study found a positive effect of the new economic policy on Indian imports, exports and total trade and increased significantly.

Princy (2024), studied the trade policy impact on the Indian current account deficit, economic growth and balance of payment. The results indicated that the BOP has statistically significant during the period of liberalization and current account balances have been positively influenced by the open polices.

The study also found that investment expansion of government has negative impact on growth and insignificant. Investment ratio has insignificant impact on the Indian growth.

Suriaganth and Abdullah (2021) analyzed the trend and changes in the foreign trade of India and impact on Indian fiscal growth since 1991. The results of the study showed that both imports and export have increased but the export growth rate was less than the imports growth rate.

The export and openness of economy have the positive correlation with the economic growth of India, on the other hand import have the negative correlation with the economic growth.

Parveen et. al. (2024) studied the profound effect of international trade on the economic growth of nation and on main fiscal indicators. The study found that the international trade likes a catalyst for economic growth due to competitiveness, effective resource allocation, overcoming trade restrictions, and innovation.

Prasad and Prasad (2018) evaluated the Indian pre and post liberalization trend pattern of foreign trade trend pattern with a sample of 54 years by using ANOVA, Durbin Waston autocorrelation and multiple regressions.

The analysis indicated that during pre and post liberalization period the foreign trade increased consistently. The growth rate of export was less than imports. GDP show the positive and increasing trends year by year.

Kurmi (2022), this study uses 22 years of data covering exports, imports, and GDP to observe the connection among international commerce and India's economic growth. Exports and GDP have a perfect positive linear connection, according to the correlation analysis. A robust positive linear link between imports and GDP is shown by the correlation analysis.

The national production increased due to rise in exports and enhances the economic growth.

1.5 Objectives of the Study:

(i) To know the benefits/importance of the international trade
(ii) To study the growth rate of India export, import and trade balance

1.6 Research Methodology:

For the purpose of the study the secondary has been collected from the RBI statistical handbook, reports from Director General of Commercial Intelligence and Statistics, Ministry of Commerce and Management, journals, books etc. To analyze the growth annual growth rate are used. The growth rate is calculated with the help of the following formula (Suriaganth and Abdullah, 2021, Prasad & Prasad, 2018):

$$Gr_t = \frac{Y_t - Y_{t-1}}{Y_{t-1}} \times 100$$

(Where Gr_t denote the growth rate of Y variable for t^{th} time period compared to its preceding year and it is stand for as percentage).

1.7 Results and Interpretation:

Table 1.1: India's Foreign Trade (₹ Crore)

Years	Exports	Growth (%)	Imports	Growth (%)	Total Trade	Growth (%)	Trade Balance
1986-87	12452	14.29	20096	2.23	32548	6.53	-7644
1987-88	15674	25.88	22244	10.69	37918	16.50	-6570
1988-89	20232	29.08	28235	26.93	48467	27.82	-8004
1989-90	27659	36.71	35328	25.12	62987	29.96	-7670
1990-91	32558	17.71	43193	22.26	75751	20.26	-10635
1991-92	44042	35.27	47851	10.78	91893	21.31	-3809
1992-93	53688	21.90	63375	32.44	117063	27.39	-9686
1993-94	69751	29.92	73101	15.35	142852	22.03	-3350
1994-95	82674	18.53	89971	23.08	172645	20.86	-7297
1995-96	106353	28.64	122678	36.35	229031	32.66	-16325
1996-97	118817	11.72	138920	13.24	257737	12.53	-20103
1997-98	130101	9.50	154176	10.98	284277	10.30	-24076
1998-99	139753	7.42	178332	15.67	318085	11.89	-38579
1999-00	159561	14.17	215237	20.69	374798	17.83	-55675
2000-01	203571	27.58	230873	7.26	434444	15.91	-27302
2001-02	209018	2.68	245200	6.21	454218	4.55	-36182
2002-03	254913	21.96	296360	20.86	551273	21.37	-41446
2003-04	293367	15.09	359108	21.17	652475	18.36	-65741
2004-05	375340	27.94	501065	39.53	876405	34.32	-125725
2005-06	456418	21.60	660409	31.80	1116827	27.43	-203991
2006-07	571779	25.28	881515	33.48	1453294	30.13	-309736
2007-08	655864	14.71	1012312	14.84	1668176	14.79	-356448
2008-09	840755	28.19	1374436	35.77	2215191	32.79	-533680
2009-10	845534	0.57	1363736	-0.78	2209270	-0.27	-518202
2010-11	1136964	34.47	1683467	23.45	2820431	27.66	-546503
2011-12	1465959	28.94	2345463	39.32	3811422	35.14	-879504
2012-13	1634318	11.48	2669162	13.80	4303480	12.91	-1034844
2013-14	1905011	16.56	2715434	1.73	4620445	7.37	-810423
2014-15	1896445	-0.45	2737087	0.80	4633532	0.28	-840641
2015-16	1716384	-9.49	2490306	-9.02	4206690	-9.21	-773921
2016-17	1849434	7.75	2577675	3.51	4427109	5.24	-728242
2017-18	1956515	5.79	3001033	16.42	4957548	11.98	-1044519
2018-19	2307726	17.95	3594675	19.78	5902401	19.06	-1286948

Years	Exports	Growth (%)	Imports	Growth (%)	Total Trade	Growth (%)	Trade Balance
2019-20	2219854	-3.81	3360954	-6.50	5580808	-5.45	-1141100
2020-21	2159043	-2.74	2915958	-13.24	5075001	-9.06	-756914
2021-22	3147021	45.76	4572775	56.82	7719796	52.11	-1425753
2022-23	3621550	15.08	5749801	25.74	9371351	21.39	-2128251

Source: Directorate General of Commercial Intelligence and Statistics

The foreign trade play important role in the economic development of a country. It is the most important factor of a country development. The foreign trade growth trend is depicted with the help of table. The export and imports of the country were increasing from the year 1986-87 to 1989-90. It is clear from the table that India trade before the liberalization period shows the increasing trends from 6.53 percent to 29.96 percent. The import growth rate was less than the export growth rate of India's before the liberalization period.

The foreign trade of India has been increased after liberalization from Rs. 91893 crores to Rs. 9371351crore during the period (from 1991-92 to 2022-23). The top growth rate was found in exports in year 2021-22 show 45.76% and the maximum negative growth rate recorded in the year 2015-16 (-9.49 percent). The results show the increase in the imports trend after the liberalization period. The import was Rs. 4789191crore in 1991-92 and increased Rs. 5749801 crores in the year 2022-23. The imports growth trend was highest in the year 2021-22 (56.82 percent) and recorded maximum negative in the year 2020-21 (-13.24 percent).

The growth trend of total foreign trade show positive trends except the year 2009-10, 2015-16, 2019-20 and 2020-21. The growth rate trend in total foreign trade was maximum in the year 2021-22 and denoted maximum negative in the year 2015-16.

1.8 Conclusion:

The study examined the examined the growth trends of Indian foreign trade. The study found positive and negative growth rate of foreign trade. The results show that the economic growth of the country negatively affected by the imports. The growth in total trade show positive impact on Indian economy. To increase the amount of export in foreign trade the financial assistance should be provided by the government and other financial institution to the small-scale business at lowest interest rate.

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